

Message Text

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ACTION NEA-10

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FM AMEMBASSY SANA

TO SECSTATE WASHDC 7410

INFO AMEMBASSY AMMAN

AMEMBASSY JIDDA

AMEMBASSY CAIRO

AMEMBASSY KUWAIT

AMEMBASSY TEHRAN

C O N F I D E N T I A L SANA 0588

E.O. 11652: GDS

TAGS: EAID, SA

SUBJECT: SAUDI AID

SUMMARY: YAR POLITICAL DECISIONS RE RELATIONS WITH KINGDOM WILL BE FORMED IN CONTEXT OF ANNUAL LEVELS OF ECONOMIC AID WHICH SAUDIS DISBURSE HERE. YARG MIN PLAN & DEVELOPMENT IRYANI SAYS THESE LEVELS WILL RISE FROM PRESENT "MEAGER" LEVELS TO ABOUT \$150 MILLION A YEAR IN THREE YEARS.

1. YAR MINDEVELOPMENT ABDAL KARIM AL-IRYANI ESTIMATED FOR CHARGE ON 16 FEBRUARY BOTH RATE OF INCREASE AND PROSPECTIVE LEVELS OF SAUDI PROJECT AID IN YAR IN NEXT SEVERAL YEARS.

2. BY WAY OF PREFACE HE SAID THAT "MEAGER" SAUDI PROJECT AID TO DATE--ABOUT \$20 MILLION THIS YEAR OUT OF A PROMISED TOTAL OF OVER A BILLION
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DOLLARS--HAD BEEN OFFSET BY SAUDI BUDGET SUPPORT.

ABDAL KARIM SAID IT WAS IMPORTANT TO COUNT NOT ONLY THE \$60 MILLION WHICH FORMALLY PROMISED FOR THIS YEAR, AND WHICH NOW BEING PAID PROMPTLY AND IN FULL, BUT ALSO THE REPAYMENT THIS YEAR OF THE \$15 MILLION DUTCH BANK LOAN (SANA 0395)

3. ABDAL KARIM SAID ALL THE LOANS PROMISED BY THE SAUDIS DURING THE PRIME MINISTER'S VISIT IN SAUDI ARABIA IN AUGUST 1975 HAVE BEEN ACTUALLY COMMITTED. THESE LOANS PROVIDED THE YEMENIS \$45 MILLION IN "SURPRISINGLY AND GRATIFYINGLY SHORT TIME." OF THIS AMOUNT \$30 MILLION SAUDI LOAN HAS BEEN PROVIDED FOR ELECTRICITY

IN CRUCIAL SANA-TAIZ-HODEIDA TRIANGLE IS BEING COORDINATED WITH ARAB FUND FOR ECONOMIC AND SOCIAL DEVELOPMENT PLANS TO EXPAND GENERATOR CAPACITY IN EACH OF THE THREE CITIES. SIMILARLY, SAUDIS HAVE BEEN FORTHCOMING IN PROVIDING \$15 MILLION LOAN TO FINANCE GRAIN MILL AND SILO CONSTRUCTION IN CONJUNCTION WITH FAO AND WORLD BANK. PRELIMINARY BANK STUDY WAS CONDUCTED LATE 1975.

4. ABDAL KARIM SAID AMERICAN FIRM (WILSON-MURROW) WHICH DOING ENGINEERING AND WILL SUPERVISE CONSTRUCTION OF ROADS IN TO YEMEN FROM NORTH (JIZAN/HODEIDA AND NAJHRAN/SAADA) WILL FINISH ALL THE DETAILED DRAWINGS IN ANOTHER MONTH. SAUDIS WILL ADVERTISE PROJECT AT ONE, ACCORDING TO WILSON MURROW REP WHO SAYS, SAUDI MIN PUB WORKS OFFICIALS TELL HIM THAT PRINCE FAHD HAS INSTRUCTED WORK TO PROCEED AS FAST AS POSSIBLE, WILSON MURROW THEREFORE PLANNING SPLIT THE PROJECT INTO FOUR CONTRACTS, TWO STARTING FROM KINGDOM AND RUNNING SOUTH AND TWO FROM YEMEN RUNNING NORTH. THUS, ASSUMING THREE MONTHS FOR ADVERTISING AND TWO MONTHS FOR ACCEPTANCE, PLUS MOBILIZATION PERIOD OF COMPANY SELECTED, WORK MIGHT BEGIN ON ROADS IN JANUARY 1977. WILSON MURROW REP ESTIMATES COST THESE TWO ROADS AT OVER \$300 MILLION.

5. THIS WILL BE FIRST BIG SAUDI PROJECT TO BEGIN.
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RUNNING THROUGH OTHER PROJECTS WHICH SAUDIS PLANNING ON, ABDAL KARIM ESTIMATED THAT SAUDIS MIGHT BE ABLE TO SPEND \$35 MILLION IN YEMEN IN 1976, \$100 MILLION IN 1977 AND \$150 MILLION IN 1978. IF EVERYTHING WHICH NOW PROMISED GOES AHEAD ON SCHEDULE, 1978 LEVELS WOULD CONTINUE FOR SOME YEARS. AMONG THE MAJOR PROJECTS SAUDIS HAVE AGREED TO FINANCE ARE \$148 MILLION IN ROAD CONSTRUCTION

PROJECTS (UNDER DIRECTION YEMEN HIGHWAY AUTHORITY),
POSSIBLE CONSTRUCTION OF \$2-300 MILLION PETROLEUM
REFINERY, AND FINANCIAL SUPPORT FOR PROPOSED SAUDIA-
YEMEN AIR JOINT VENTURE (\$60 MILLION).

6. ABDAL KARIM SAID IT NOT RPT NOT BEYOND YEMENI

IMAGINATION TO COME UP WITH NEW PROJECTS.

COMMENT: IN POLITICAL SENSE, THIS ECONOMIC AID
PROJECTION SUGGESTS SEVERAL CONCLUSIONS. FIRST,
LONG RANGE BENEFITS OF SAUDI AID TO YEMEN ARE
ENORMOUS, AND NOT RPT NOT AVAILABLE FROM ANY OTHER
SOURCE. SECOND, FOR SOME YEARS STILL, SAUDI AID
IS GOING CONTINUE PRINCIPALLY TO BE IN FORM OF BUDGET
SUPPORT RATHER THAN CONSPICUOUS PROJECTS. IMPORTANCE
OF AID WILL THEREFORE BE CONCEALED TO SOME EXTENT,
AND FULL IMPACT DELAYED. DECISION-MAKERS IN GOVERN-
MENT WILL KNOW HOW IMPORTANT SAUDI AID IS--ONE-THIRD
OF OPERATING REVENUES--BUT THEY WON'T WANT TO STAND
UP AND REVEAL THE DEGREE OF THEIR DEPENDENCE ON
THE SAUDIS. FOREIGN POWERS WHICH PAYING SALARIES
ARE IN A DIFFICULT POSITION BECAUSE THEY WILL
REAP AS MUCH NATIONALISTIC RESENTMENT AS
BROTHERLY LOVE. THIRD, SAUDIS ARE NOT RPT NOT
GOING TO HAVE ANY BIG CONSPICUOUS PROJECTS LIKE
THE RUSSIAN ROAD, THE CHINESE ROAD, THE AMERICAN-
FRG ROAD TO POINT TO FOR YEARS, AND EVEN CONSTRUCTION
WON'T BEGIN IN A BIG WAY FOR ANOTHER YEAR AND A HALF.
ON BALANCE, IN WHAT SEEMS LIKE A RATIONAL PERSPECTIVE,
I WOULD SAY SAUDIS HAVE CREATED ECONOMIC FRAMEWORK
FOR A DURABLE AND INCREASINGLY CLOSE POLITICAL RE-
LATIONSHIP WITH YARG. BUT PSYCHOLOGICAL ELEMENTS
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CAN POSE A POWERFUL CHALLENGE TO ECONOMIC BONDS.
ASNAJ'S ASSERTION THAT YEMEN IS A LIABILITY--IT
NEEDS MONEY--BUT NOT A CLIENT--IT WON'T BE BOUGHT
IS EVIDENCE OF THE BRITTLINESS OF YEMEN-SAUDI
RELATIONSHIP.
RANSOM

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